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SUBJECT: Argentina: License For Nil - GoA Imposes New Import  
Licenses to Slow Imports

REF: (A) Buenos Aires 294  
(B) Buenos Aires 259  
(C) 08 Buenos Aires 1723  
(D) 07 Buenos Aires 1648

#### Summary

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¶1. (SBU) In a context of global concerns over increasing protectionist pressures, Argentina, which signed onto a November 2008 G-20 standstill agreement on new barriers to trade, is actively expanding a list of products which require non-automatic import licenses. U.S. firms and others importing goods into Argentina have complained frequently to Post in 2009 that both automatic and non-automatic import license applications are being delayed beyond time periods permitted by GoA regulations and, they suspect, WTO standards. Strict enforcement of safety standards are also delaying imports of some goods, and new rules on toy imports to take effect soon could prevent most, if not all, toy imports. Post has also received complaints of informal GoA pressure on importers to reduce overall import levels, which will be reported Septel. The GoA is clearly concerned about the effect of rapidly falling exports (Ref C) on its trade balance and foreign currency reserves, and they are taking steps to limit imports accordingly. End Summary.

¶2. (SBU) Despite a pledge at the November 2008 first G-20 summit to "refrain from raising new barriers to investment or to trade within the next 12 months," Argentina has imposed new licensing measures which, while ostensibly WTO consistent, are delaying and even preventing imports, according to U.S. firms and other importers operating in Argentina. Argentina requires import licenses - both automatic and non-automatic - on a fairly extensive list of products, many of which have been added since this G-20 meeting. Adrian Makuc, National Director of Trade Policy in the Ministry of Production, told Econoffs March 23 that non-automatic licenses covered 7% of imports from Brazil by value, while approximately 20% total of imports from Brazil required some license. The licenses are not country-specific, but appear designed to reduce import flows from China and Brazil, the top two exporters to Argentina in 2008. Brazilian Ambassador to Argentina told Ambassador Wayne that while Foreign Minister Amorim and other are very upset and frustrated by the GoA moves, a political decision was taken not to go to the WTO and to seek instead to negotiate sector by sector solutions between business leaders and officials from both countries.

¶3. (SBU) Brazil is Argentina's largest overall trading partner and supplied 31% of Argentine imports in 2008. Brazilian officials, including President Lula and Foreign Minister Amorim, have publicly expressed frustration with the new measures. Amorim was quoted in local press as saying, following a February 17 meeting in Brazil with the Argentine Foreign Affairs, Economy, and Production Ministers, that "the existence of measures such as these isn't positive." Brazilian frustration helped bring about high-level government-to-government talks in Brazil and subsequent private sector discussions in Argentina seeking to alleviate bilateral trade frictions.

## Non-Automatic Licenses: Making Things "Unviable"

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14. (SBU) The GoA has long required non-automatic import licenses for a variety of products considered "sensitive" (read: with local production of similar goods, especially when local producers of those goods have complained to the GoA about competition from imports). These include textiles, apparel, footwear, household appliances, tires, and motorbikes. The list of products is now approximately 230 tariff lines long, with new items added frequently by GoA resolutions over the past year. Fifty-eight new tariff lines were added effective March 25, including products such as household appliances, furniture, bed sheets, and agricultural machinery. Non-automatic licenses are, according to GoA regulations, supposed to be adjudicated within 60 days, in line with WTO standards.

15. (SBU) Numerous U.S. company exports to Argentina (the vast majority from Asia) have been affected by this proliferation of non-automatic licenses. Carlos Restaino, a local consultant who works for U.S. toy company Mattel and is also a director of the Argentine Importers Chamber, told Post that in his experience dealing with toy and shoe imports, recent applications for non-automatic licenses always took over 60 days to process. Local Nike CEO told Ambassador that his Asian imports face regular delays, which he believes are aimed at favoring local production of a competing brand. Hewlett Packard representative Jorge Rankov told Econoff March 19 that a shipment of their backpacks, manufactured in Thailand, had been held by Customs for six months while HP was awaiting an import license. He said the delays seemed to be growing longer on average and are now long enough to make some transactions unviable. Rankov also stated that, in cases where a similar product is produced locally, the GoA simply doesn't issue an import license.

A textile consultant member of the American Chamber of Commerce (AmCham) told Econoff March 18 that non-automatic license requests for textile products never took less than 60 days, and that requests for explanations from GoA officials went unanswered.

16. (SBU) Agricultural machinery manufacturer John Deere has contacted post about the March 25 addition of agricultural machinery to the list of products requiring non-automatic licenses, expressing fear that imports of their products manufactured in Brazil could be delayed. John Deere's local President, Aldo Torriglia, told Emboffs March 27 that Argentine Industry Secretary Fernando Fraguio told him the measure was imposed because "we don't want local manufacturing to fail." Starbucks Argentina Country Manager Diego Paolini told Emboffs that shipments of furniture for new stores and imports of holiday cups were both held up pending import license applications - in the latter case not for the cups themselves, but for the cloth wrapping. The cups reached stores almost beyond the holiday season.

An Argentine machine tool importer told Ambassador that more and more machine tools are being added to licensing lists and his customs contacts have told him to import as many products as he can quickly because they expect more items to be added to the list requiring licenses. In recent meetings with European, Japanese and Chinese Ambassadors to Argentina, Ambassador heard many similar complaints (Refs A and B).

## Automatic Licenses: "Lesser Problem," but a Problem

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17. (SBU) While no new automatic licenses have recently been imposed, Argentina has long imposed automatic license requirement for considerably more tariff lines than covered by non-automatic licenses. Automatic licenses are required for some products in about half of the chapters in the tariff code, such as textiles, clothing, furniture, toys, and products made of steel, aluminum, or copper. Implementing regulations state that automatic licenses will be issued within 10 working days, in accordance with the World Trade Organization's Agreement on Import Licensing.

18. (SBU) According to local importer contacts, automatic licenses are "a lesser problem" than the non-automatic kind, and the GoA largely adheres to the 10-day maximum. However, there apparently are exceptions. Restaino told Econoff that the GoA will sometimes ask for additional information which was not required on the original application, effectively delaying some license requests

well beyond the 10-day period. Rankov noted an example of a delay. HP server racks are considered furniture and require a license, despite being manufactured (in the U.S.) to precise standards and therefore having no local equivalent. He said license requests for those products had taken a minimum of 60 days and in some cases over \$180. Rankov also commented that, besides the server racks, the GoA imposes license requirements on a variety of products not manufactured in Argentina.

#### Safety Issues: Legitimate Aim, De Facto Barrier

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¶9. (SBU) While regulations to limit unsafe and unhealthy imports are both understandable and permitted under WTO guidelines, some GoA measures have effectively blocked imports. A new regulation requiring imported toys to be tested to prove they are phthalate-free has been postponed twice thus far by the Minister of Health and is now set to take effect in August, after originally being set for September 2008. Under the new regulation, toy imports will be permitted if they prove phthalate-free, but the GoA regulation limits testing to only the government-owned National Institute of Industrial Technology (INTI). Contacts tell us that INTI's capacity for such testing is nowhere near enough to accommodate all toy imports. Restaino told Econoff that this would essentially "shut down" toy imports. Multiple members of the AmCham noted in a Trade Committee meeting March 18 that used import restrictions, motivated in part by safety concerns, require numerous GoA certifications, and commented that the lengthy process to get all the certifications delays imports. Rankov noted that delays due to certification requirements for imports of used ATM parts have prevented HP from providing support for some of its customers, and therefore they are violating the local consumer protection law. Rankov also stated that Argentine Customs was inconsistent in its application of electrical safety standards, and that testing in this area was causing significant delays.

#### Comment

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¶10. (SBU) The WTO Agreement on Import Licensing says that import licenses, when applied, "should be implemented in a transparent and predictable manner." The stories we are hearing suggest the new license requirements are being imposed in response to pressures by domestic industrial lobbies and are not meeting this requirement. Recent GoA actions are not directed primarily at China, as earlier

non-tariff barriers imposed in 2007 appeared to be (Ref D). Leading trade partner and neighbor Brazil appears to be the most affected by the recent measures. The GoA's willingness to antagonize its fellow Mercosur member and most important trading partner (as well as being Argentina's primary source of imports, Brazil received more of Argentina's exports, 19%, in 2008 than any other country) shows the depth of the GoA's commitment to maintaining its local manufacturing base and its concern over current trade levels. This policy reflects more than half a century of Peronist attachment to import-substituting industrialization. But some of these non-tariff barriers affect imports that do not compete with domestic production. Those measures are probably designed to reduce imports and to limit pressure on Argentina's trade balance, and are part of broader efforts to maintain substantial capital reserves.

WAYNE